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C O N F I D E N T I A L ANKARA 000203

SIPDIS

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TAGS: ENRG IZ PREL TU

SUBJECT: TURKEY: REPLACE MILITARY ENGAGEMENT WITH ECONOMIC  
ENGAGEMENT IN IRAQ

REF: ANKARA 100

Classified By: Ambassador James Jeffrey for reasons 1.4 (b,d)

¶1. (C) SUMMARY: Turkey's Special Envoy for Iraq, Murat Ozcelik, argued to DCM February 5 that the US and Turkey must convince the GOI to make the strategic economic decision to send hydrocarbons north through Turkey to Europe. This is necessary to support US, Turkish, and European strategic objectives in the region, and to strengthen Iraqi unity. To do otherwise strengthens the hand of Iran. END SUMMARY.

¶2. (C) Ozcelik argued to DCM February 5 that, as the US disengages militarily from Iraq, it must increase its economic engagement with the GOI. The US, Turkey, and Europe must work together to convince the GOI to make the proper strategic economic decisions that will tie Iraq's economy to the West and support the greater regional economic goals that Turkey and the US share.

¶3. (C) For Turkey, rational development of Iraq's gas and oil resources is important. He argued that PM Maliki and Oil Minister Shahrestani are pursuing policies more likely to divide Iraq than to unify it. The GOI, he claimed, plans to set the "strategic direction" of oil and gas investment, which he fears means new investment will be made first in the south. This will disproportionately benefit the Shia population and send most of Iraq's early new hydrocarbon resources away from Turkey and Europe. It also risks angering Kurds and Sunnis who want to see early new hydrocarbon development north of Baghdad. Such anger could easily exacerbate the political fissures which are just now beginning to close.

¶4. (C) Ozcelik made an impassioned plea for the USG to steer GOI energy policies to ensure that northern energy development is done early, and that some energy is exported northward, through Turkey. This would support broader US, Turkish, and European goals to increase the energy independence of Europe and give Europe a bigger stake in Iraq's development. It would also, he asserted, ensure more even distribution of wealth within Iraq and strengthen Iraq's unity. He said the GOI (Shahrestani in particular) objects to the type of production sharing agreements (PSA) that major international companies want to get to ensure profitability of their investments. "The Iraqis only understand a command economy," and deal with corporations on nationalist grounds. This will slow development of Iraq's economy and its integration into the regional and global economy.

¶5. (C) COMMENT. We agree with Ozcelik's strategic vision but disagree on timing. Increased export of Iraqi gas and oil through Turkey would be a major step in developing a commercially viable southern corridor to bring Asian and Middle Eastern gas and oil to Europe outside of Russian control. It would also encourage Iraq's integration into Turkey's nearly USD 1 trillion economy. However, we continue to emphasize to Ozcelik and others the importance of having a

national hydrocarbon law in place before signing agreements to develop or export Iraqi resources in the North. Ozcelik told us (ref a), Turkey will begin those negotiations now.  
END COMMENT.

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Jeffrey